CLIMATE POLICY

of Bank Ochrony Środowiska S.A.

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Chapter 1
Introduction

§ 1

1. Climate change is one of the world's greatest environmental challenges.
2. One of the most important tasks of the financial sector in the area of climate protection is to support measures to limit global warming (up to 2° C compared to pre-industrial levels).
3. Climate policy of Bank Ochrony Środowiska S.A. („Bank"), hereinafter referred to as „Policy", takes into account the provisions of the Paris Agreement and the legislative packages of the European Union:
   1) The European Green Deal - a set of initiatives of the European Commission with the overarching goal of achieving Europe's climate neutrality in 2050,
   2) Fit for 55 - a package of 13 legislative initiatives adopted by the European Commission aimed at achieving a 55% reduction in greenhouse gas emissions in 2030 (compared to 1990).
4. The policy contains guidelines aimed at supporting the implementation of tasks resulting from documents on sustainable finance and climate-related information reporting, including in particular:
   1) Report of the TCFD Recommendations of the Task Force on Climate-related Financial Disclosures,
   2) Communication from the European Commission: Guidelines for reporting non-financial information: Supplement on reporting climate-related information (2019/C 209/01),
   3) The EBA Report on the Management and Supervision of ESG Risks for Credit Institutions and Investment Firms EBA/REP/2021/18).
5. The policy is consistent with the national strategic documents in the field of counteracting and adapting to climate change, including:
   1) The Ecological Policy of Poland,
   2) Poland's Energy Policy until 2040,
   3) National Plan for Energy and Climate.
6. The Bank's activities have no significant direct impact on climate change. However, the Bank indirectly influences such changes, mainly through financing projects contributing to limiting the impact of and adapting to climate change as well as limiting financing of industries and projects contributing to climate change.

§ 2

1. The policy contains guidelines aimed at supporting the implementation of the mission and tasks resulting from:
   1) Development Strategy of Bank Ochrony Środowiska S.A. for 2021-2023,
   2) Recovery Programme of Bank Ochrony Środowiska S.A,
   3) ESG Strategy of Bank Ochrony Środowiska S.A. and other internal regulations of the Bank.
2. The Policy is further specified in the Bank's internal regulations (such as: resolutions, orders, circular letters, including instructions and regulations) and in the tools by means of which the Bank will implement the principles described in the Policy.
3. The provisions of the Policy remain and will remain consistent with the Bank's internal regulations, in particular, such as:

1) Banking risk management strategy at Bank Ochrony Środowiska S.A.,
2) Credit Risk Management Policy at Bank Ochrony Środowiska S.A,
3) Methodology of credit risk assessment for institutional clients,
4) Policy of Bank Ochrony Środowiska S.A. in the field of capital management and the ICAAP process,
5) Eligibility Criteria for Inclusion of Transactions in the Green Portfolio of Bank Ochrony Środowiska S.A.

4. Terms used in the Policy shall mean:
    1) KOC - organisational units of the Head Office,
    2) Carbon footprint - the amount of greenhouse gas emissions resulting from business activity, calculated in accordance with the standardised GHG Protocol Corporate Accounting and Reporting Standard,
    3) SBTi - Science Based Targets, an initiative that brings together voluntarily acceding organisations that declare greenhouse gas emission reduction targets,
    4) PCAF - partnership of financial sector institutions, established to support and account the participation of financial institutions in achieving the goals of the Paris Agreement.

§ 3

1. The policy is adopted by a Resolution of the Bank's Management Board, after obtaining an opinion from selected KOC, and then approved by a Resolution of the Supervisory Board, after a positive opinion by the Ecology Committee.
2. Amendments to the Policy shall be made in a manner analogous to the procedure for its adoption.
3. The Supervisory Board, as part of its functions and responsibilities, supervises the implementation of the Policy.
4. The policy is reviewed at least once a year, and the greater frequency of reviews may result, inter alia, from changes in the directions of the Bank's lending activities and changes in the external environment, as well as from changes in the requirements of external supervisory institutions.
5. Department of Environmental Policy, ESG and Taxonomy is responsible for the review and update of the Policy.

Chapter 2
Climate policy objectives

§ 4

1. The objectives of the Policy are to define the directions of the Bank's activities aimed at:
   1) counteracting climate change as well as adapting to climate change,
   2) achievement by the Bank of emission reduction targets in line with the provisions of the ESG Strategy.
2. The objectives of the Policy will be implemented through activities focused on:
   1) reducing the Bank's carbon footprint,
   2) supporting the climate transformation of clients, including changes towards low-carbon economic activity,
   3) limiting financing for carbon-intensive sectors and projects,
   4) managing the risks associated with climate change,
   5) taking advantage of opportunities and possible positive effects of climate change.

3) In applying this Policy, the Bank will take into account:
   1) the need to ensure energy security, including the need to diversify raw material supply sources or manage the risk of disruption of the client's/industry's normal operations,
   2) pursuit of a fair transition pathway that would appropriately mitigate the social risks of climate transition.

Chapter 3
Reducing the Bank's carbon footprint

§ 5

1. In pursuit of full transparency, the Bank will calculate emissions related to its operations annually, in accordance with the GHG Protocol standard. The Bank will subject the calculations to independent verification.
2. The Bank will strive to achieve climate neutrality understood as zero net emissions calculated in scopes I, II and III, starting from 2030. For issues that are impossible to avoid, the Bank will undertake compensation measures.
3. The Bank will improve its data collection processes for calculating the carbon footprint and strive to include the broadest possible range of indirect emissions in the analysis.
4. The bank will calculate the portfolio emissions in accordance with the PCAF methodology in 2023. The results of the calculations will be the basis for the development of the portfolio emissivity reduction model until 2030.

Chapter 4
Supporting clients' climate transformation

§ 6

1. The Bank supports the climate transformation of clients and partners by:
   1) financing green projects,
   2) offering products dedicated to financing projects supporting:
      a) counteracting climate change and adapting to climate change, incl. renewable energy sources, energy efficiency, low-emission technologies, reduction of pollutant emissions, reduction of emissions of economic entities,
      b) a fair transformation of entities from high-emission and energy-intensive industries towards reducing emissions, including by using gas as a transition fuel,
   3) cooperation with organisations involved in climate action,
   4) accession and implementation of climate agreements and declarations, including:
      a) Partnerships for the goals of the 2030 Agenda,
      b) "Climate leadership" declaration,
   5) educational activities and participation in the market dialogue on sustainable finance,
   6) sharing the knowledge of experts from the Ecology and Climate area.

Chapter 5
Reducing funding for carbon-intensive sectors

§ 7

1. Economic development and ensuring energy security in the face of growing energy demand must take into account the needs of climate protection. Activities that particularly contribute to carbon dioxide emissions into the atmosphere include:
   1) power coal mining,
   2) production of electricity and heat from lignite or hard coal,
   3) other carbon-intensive economic activities.
2. The Bank will not enter into any new transactions whose main objective is to produce thermal coal for use as fuel in power generation and heating, subject to paragraphs 4 and 5.
3. The Bank will not conclude new transactions regarding the construction of new units or increasing the capacity, or general overhauls of the existing coal-fired power or heating units, subject to paragraphs 4 and 5.
4. In line with the directives referred to in Section 4.3, the Bank may allow for transactions in coal-fired power generation relating to projects contributing to:
   1) reducing the emissions of power units by adjusting to national and EU regulations,
   2) the use of innovative technologies allowing for a significant reduction in greenhouse gas emissions.

5. The Bank may participate in transactions involving emissions-intensive activities on the condition that:
   1) the Client has put in place an own emissions reduction strategy or plan that is acceptable to the Bank and has been accepted by the Environmental Engineer, and whose implementation and execution will be reported by the Client and monitored by the Bank as agreed upon by the parties; or,
   2) the transaction documents contain the Client's obligation to prepare and adopt an (own) emissions reduction strategy or plan within a time limit and on terms satisfactory to the Bank, with the proviso that the time limit must fall within the financing period.

Chapter 6
Risks and opportunities related to climate change

§ 8

1. Climate risk, based on the TCFD guidelines, is divided into two categories:
   1) transition risk - associated with the need to adapt to changing conditions, regulations, new technologies, but also changes in energy sources, consumer expectations and other market phenomena,
   2) physical risk - related to the direct impact of extreme weather events (e.g. damage to infrastructure, damage to crops, disruption of the supply chain).
2. The Bank aims to take into account the climate risk as part of ESG risks, in particular:
   1) credit risk assessment at the stage of granting credit exposure,
   2) introducing new products for institutional clients,
   3) the process of determining the risk appetite and exposure limits,
   4) the ICAAP process,
   5) stress tests, including the so-called stress tests of climate tests and scenario analyses in the field of climate change.
3. Detailed solutions and supporting tools will be included in the relevant internal regulations.
4. The Bank will conduct stress tests incorporating climate change factors at least once a year. Parameters and their values will be agreed each time by the Department of Capital Adequacy and Asset Valuation with the Department of Environmental Policy, ESG and Taxonomy.

§ 9

1. Key climate risks in Poland related to customer operations, affecting the development of products and services:
   1) energy consumption of the Polish industry based on the energy mix with the dominant generation of energy from coal,
   2) high dependence of the electricity price on the price of carbon dioxide emission allowances,
   3) rising energy prices leading to a decrease in the competitiveness of the economy and a decline in living standards,
   4) extreme weather phenomena hindering the functioning of enterprises,
   5) outdated and energy-intensive building stock generating high energy demand,
   6) regulatory uncertainty and economically unfavourable effects of regulations related to climate protection for the Bank's customers.
2. Risks defined by the Bank:
   1) short and medium term (up to 5 years):
      a) new global/EU/local regulations generating the need to implement systems to assess and report on the climate activities of the Bank and its customers,
      b) the risk of losing customers in the event of significantly more stringent requirements being imposed on the Bank compared to its competitors,
      c) risk of investment projects concerning modern environmentally beneficial solutions related to relatively early stage of development of the implemented technologies;
   2) long-term perspective (over 5 years):
      a) disruption of the business and financial liquidity of customers in the corporate segment due to high temperatures, the need to limit exposure to all high-emission industries (also indirectly), rising prices of emission allowances will increasingly hit the financial condition of companies,
      b) disruption of the business and liquidity of customers in the corporate segment, in water-intensive industries, due to the phenomena of hydrological drought, limiting production possibilities (including the energy sector and the agri-food sector).
3. Key climate opportunities affecting customer operations, impacting product and service development:
   1) increasing the demand (enterprises, individuals) for investments in the field of energy transformation, in particular due to increasing energy prices and striving to improve the efficiency of its use,
   2) increasing the role of financial institutions in the transfer of national and EU funds allocated to support in the field of energy transformation,
   3) implementation of policies and regulations supporting the transition to the circular economy model in order to reduce the costs of raw materials and waste management costs.

4. Opportunities for the Bank:

1) increasing the portfolio of pro-ecological transactions,
2) using the knowledge and experience of the Bank in financing the development of low-emission energy sources, technological innovations,
3) combining counselling for financing pro-environmental projects with banking services,
4) leading the transformation of the economy towards climate neutrality through wider support for clients in the implementation of pro-ecological investments.

Chapter 7
Final provisions

§ 10

1. The Bank aims to increase the share of pro-ecological loans in the total loan portfolio, in line with the assumptions of the Bank's Strategy.
2. The policy is consistent with the Bank's internal regulations in the Risk Area, in particular with the credit policy, which, inter alia, defines the need for financing a variety of projects influencing the improvement of the condition of the environment.
3. The monitoring of the scale of activities in the field of ecology is carried out in accordance with the internal qualification system specified in the Bank's internal regulations on environmental risk.
4. The Bank will seek to harmonise climate and environmental risk principles in the perspective of the ESG Strategy.